

The Dynamic Consumer and the Evolving Retail Supply Chain



NORTH JERSEY
TRUCK CENTER

A. STRAUSS-WIEDER, Inc.
TRANSPORTATION, ECONOMIC & STRATEGY
CONSULTANTS

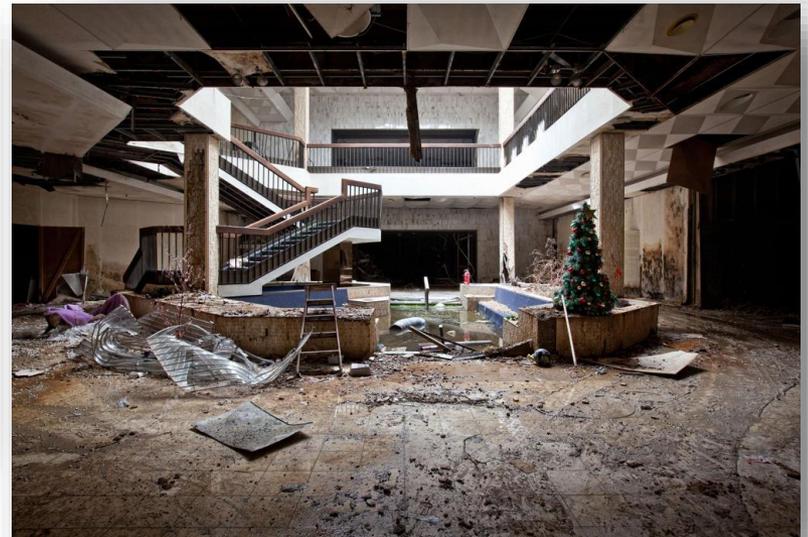
Agenda

- Why is this important?
- What's changing?
- How is the Supply Chain reshaping itself?



Randall Park Mall

Sources: http://www.cleveland.com/remembers/index.ssf/2011/04/randall_park_mall_and_the_smel.html
<http://news.yahoo.com/photos/abandoned-mall-that-was-once-the-largest-in-the-world-142135579-slideshow/>



Why is this Important?

- Changes
 - Goods movement flows
 - Land uses and location considerations
 - Personal travel flows
- Introduces or reinvents
 - Shippers
 - Transportation providers
 - Technology applications

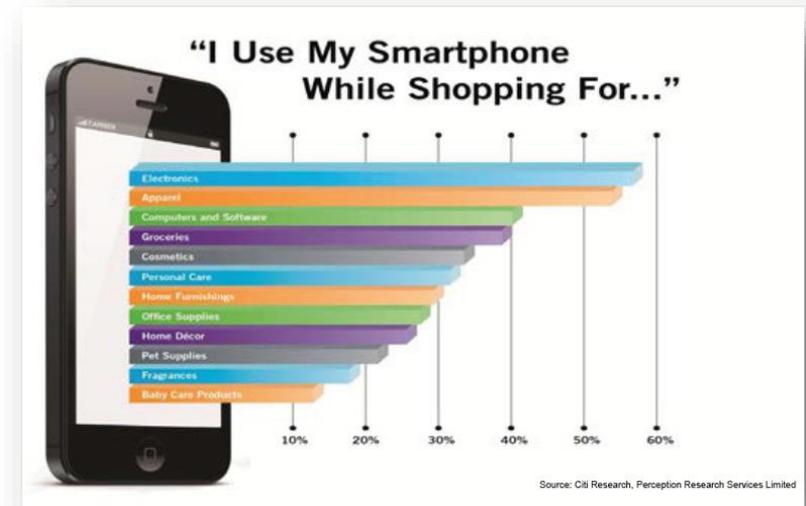


The Dynamic Face of Retail



Retail Channels

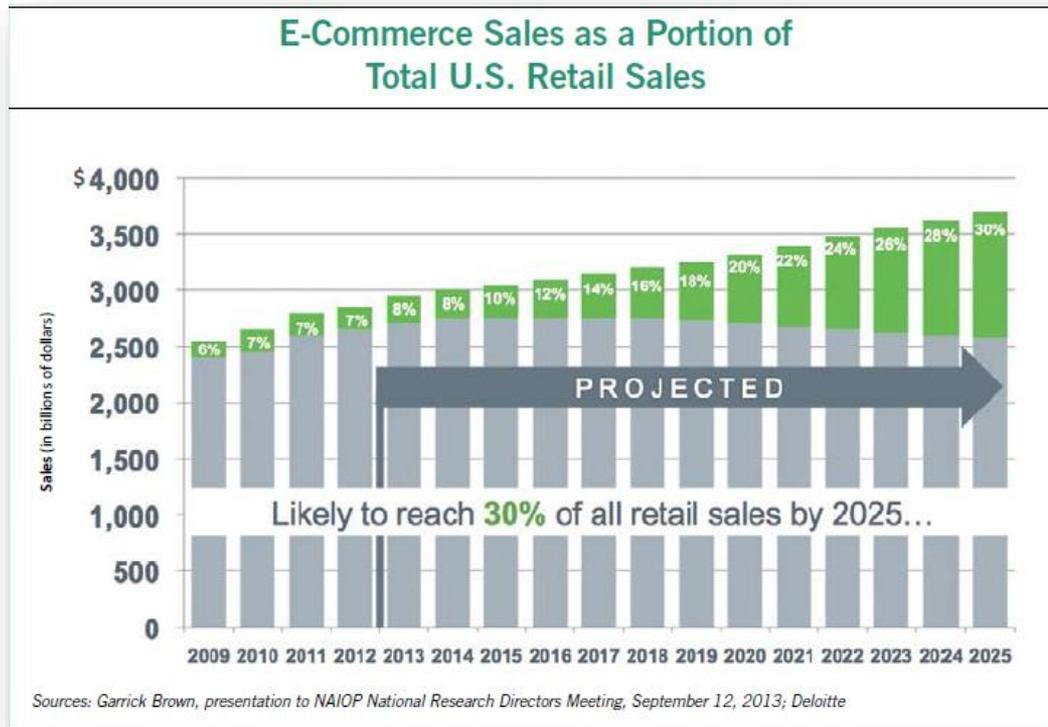
- **Omni-channel** – defined as retail merchants that use multiple channels to reach and serve their customer base.
- **M-commerce** – defined as mobile commerce and refers to the increased use of tablets and smart phones role in retail trade.
- **Social commerce** – defined as the use of social media sites such as Facebook and Pinterest to market products, build awareness and increase demand.



Source: Cassidy Turley

The Rise in Omni Channel

- E-commerce is anticipated to approach 1/3rd of all retail business by 2025.



Source: NAIOP, *Development*, Winter 2013, p. 8



Stimulate Demand: New Store Formats and Locations

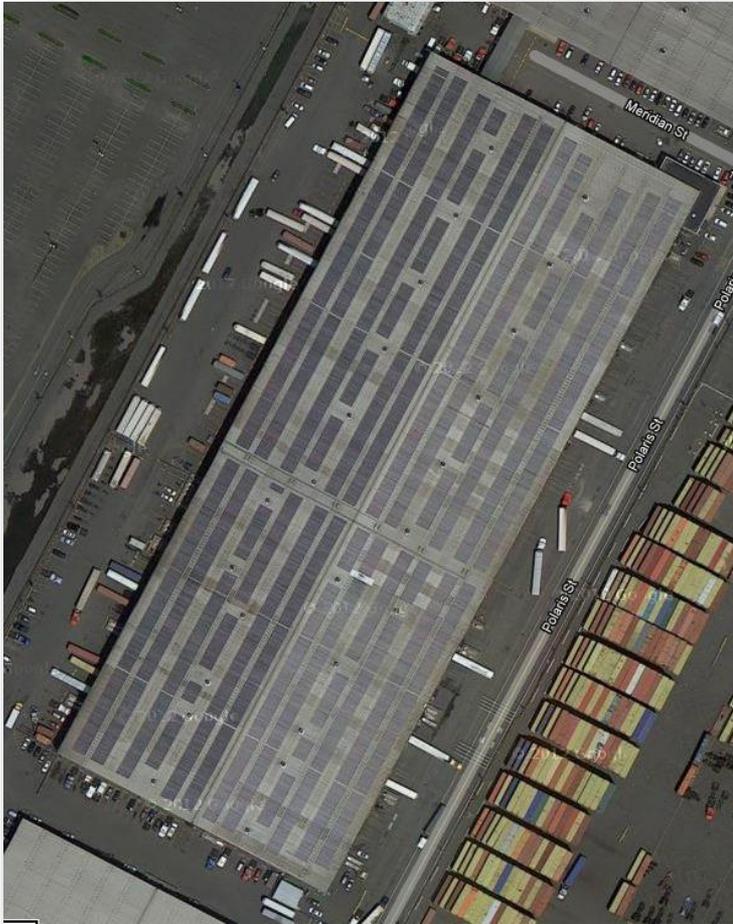


The Reshaping of Retail Supply Chains

Distribution Centers Last Mile and Speed to Market Surges



Evolving DC designs and locations



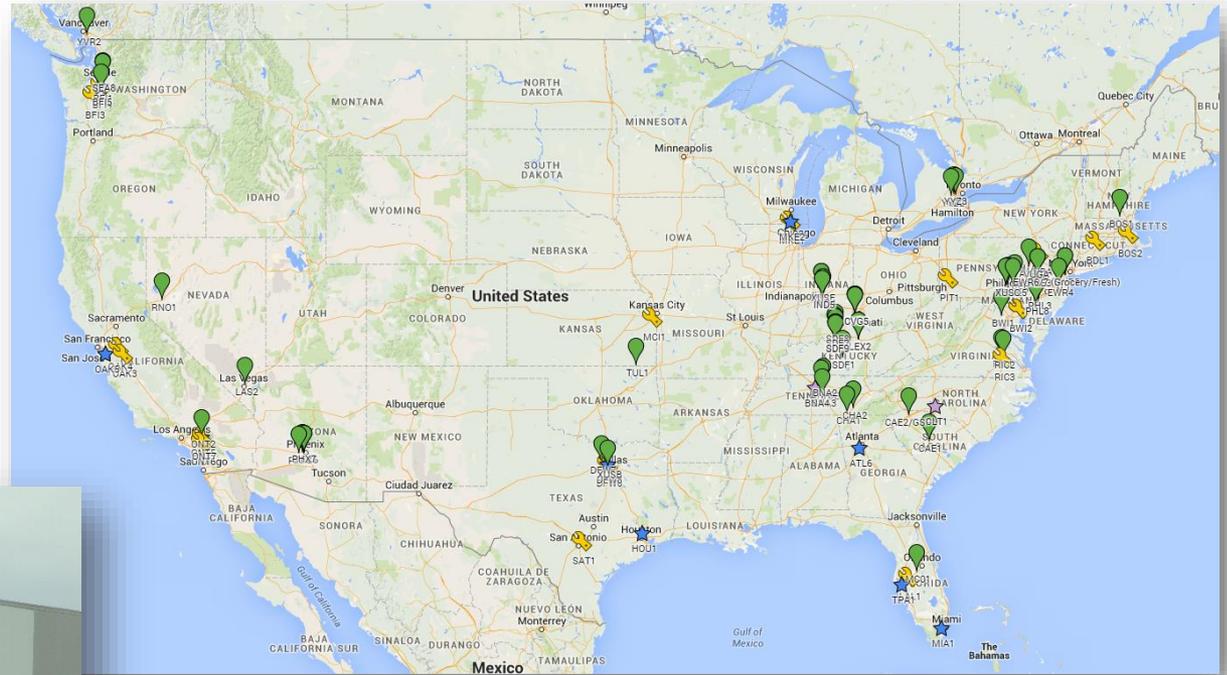
Fulfillment Centers – More Truck and Associate Parking



Distribution Centers to Fulfillment Centers

Amazon:

- 38 fulfillment centers
- 15 sortation facilities



The Changing Last Mile

- Speed to market is driving location and modal decisions.
- Same day service as an alternative to or augmenting bricks and mortar stores.
 - Using existing stores as fulfillment locations to serve the market.
- Offering consumer convenience.
 - Lockers.
 - Home delivery of perishables.



Seasonal Surges

- The 2013 Holiday Season was a harbinger of emerging trends.
 - More than 70 online retailers promoted guaranteed next-day delivery on purchases made as late as 11 pm on December 23 (source: UPS).
 - Thousands of seasonal workers and equipment were hired but it was not enough.
 - Amazon: 70,000 workers
 - UPS: 55,000 increasing to 85,000
 - FedEx: 25,000 workers
 - With winter storms also creating disruptions, packages were not delivered on-time.

“It was the cardinal sin of online retailing, and the two companies [UPS and Amazon] had to offer apologies and refund shipping fees for disappointed customers.”

Bloomberg Businessweek

Rapid Private Sector Response in the 2014 Holiday Season

- Building more capacity quickly:
 - Amazon:
 - Opening additional distribution centers and sortation facilities.
 - Operating their own local delivery truck fleet.
 - UPS:
 - Designing, building and opening a 400,000 SF facility in under a year.
 - Deploying “pop up mobile” distribution centers.
 - Operating at full network capacity on the day after Thanksgiving.
- Managing demand levels:
 - UPS and FedEx working with shippers to set shipment volume limitations with “high impact customers.”
 - Earlier cut offs for guaranteed delivery.

A Trend Breaker to Consider in Freight Planning, Policies, Investments and Forecasts

- Consumer demands and retail channels are evolving rapidly.
- Fewer sales floor jobs; many more fulfillment jobs.
- Retail stores are seen by some developers as an amenity in new multi-unit residential developments.
- More DCs, both fulfillment and in-fill locations.
- Speed to market equals more local truck and delivery movements.
- Emerging new technologies.
- The private sector rapidly reshapes itself.

Walmart to Install Surface-to-Air Missiles on Store Rooftops to Shoot Down Amazon Drones



Greg Henderson — December 3, 2013

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Thank you!

Anne Strauss-Wieder
A. Strauss-Wieder, Inc.
asw@as-w.com
www.as-w.com

